

Message Text

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ACTION IO-14

INFO OCT-01 NEA-14 ISO-00 IOE-00 SR-02 ORM-03 SCA-01 AID-20

OMB-01 TRSE-00 ABF-01 SS-20 NSC-07 SP-03 SSO-00

NSCE-00 RSC-01 DRC-01 /089 W
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O 141349Z JUN 74

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC IMMEDIATE 8403

C O N F I D E N T I A L SECTION 1 OF 2 BEIRUT 6736

IO FOR AMBASSADOR BUFFUM FROM AMBASSADOR GODLEY

DEPT REPEAT TO SECRETARY'S PARTY AS NECESSARY

EO 11652: GDS

TAGS: EAID SREF UNRWA US

SUBJ: TRANSMISSION OF UNRWA HQ MESSAGE RE AGENCY FINANCES

REF: BEIRUT 6728

1. FOL IS TEXT OF MSG TOM MCELHINEY HAS REQUESTED THAT I PASS
TO YOU BY CABLE.

2. BEGIN QUOTE 1. AM SENDING THIS BY CABLE BECAUSE, AS HAVE SUG
GESTED TO EMBASSY BEIRUT, UNRWA'S FINANCIAL POSITION MAY BE
RAISED WITH PRESIDENT AND SECRETARY DURING MID-EAST TRIP. WANT
YOU TO BE FULLY AWARE VARIOUS COMPLEXITIES SINCE ASSUME USG
DECISIONS, PARTICULARLY ON LEVEL SPECIAL CONTRIBUTION, MAY HAVE TO
BE MADE QUICKLY.

2. AS YOU KNOW, WE HAVE TWO BASIC PROBLEMS IN FINANCING,
CASH-FLOW (LIQUIDITY) AND INADEQUACY OF CONTRIBUTIONS TO MEET
ESSENTIAL EXPENDITURES (DEFICIT). WITH SHIFT IN US CONTRIBUTION TO
ENTIRELY CASH BASIS AND INCREASE IN FLOUR PRICE BOTH HAVE BEEN
AGGRAVATED. (FOR PURPOSE PRESENTATION FOLLOWING PARAGRAPHS
ASSUME USG WILL BY ONE MEANS OR ANOTHER PROVIDE UNRWA WITH
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(A) AN ADVANCE OF APPROPRIATION PAYMENT IN JULY 1974 OF \$10 MILLION

FROM FY 75 CONTRIBUTION (B) SPECIAL CONTRIBUTION BEFORE END CY 74 OF ABOUT \$10 MILLION TOWARD DEFICIT (C) REMAINDER OF FY 75 CONTRIBUTION IN JANUARY 1975 AMOUNTING TO \$13.2 MILLION AND (D) HOPEFULLY IN FY 76 REGULAR CONTRIBUTION WHOLLY IN CASH INCREASED SUFFICIENTLY TO RESTORE PURCHASING POWER. AMOUNT OF (D), TAKING INTO ACCOUNT INCREASE WHICH HAS OCCURRED IN FLOUR PRICE AND DEGREE OF INFLATION/DEPRECIATION AGAINST LOCAL CURRENCIES SINCE FEBRUARY 1973 WOULD HAVE TO BE NOT LESS THAN \$40/\$45 MILLION, WHICH WOULD STILL REPRESENT LESS THAN 45 PCT OF UNRWA BUDGET FOR CY 75. I HAVE USED FIGURE OF \$43 MILLION. NO ACCOUNT IS TAKEN OF SPECIAL CONTRIBUTION FOR EXPANSION VOCATIONAL TRAINING IN VIEW OF PURPOSE FOR WHICH INTENDED.

3. RE SHORT-TERM LIQUIDITY, WHEN US CONTRIBUTION WAS PART FLOUR AND PART CASH, WE BEGAN TO RECEIVE DELIVERY FLOUR COMPONENT DURING FIRST HALF FY (OCTOBER/NOVEMBER) AND FIRST INSTALLMENT CASH NORMALLY BEGINNING SECOND HALF FY (JANUARY). BECAUSE OF SHIFT IN COMPOSITION US CONTRIBUTION, IF WE DO NOT RECEIVE ADVANCE PAYMENT OF CASH EARLY IN FY 75, WE WILL FACE SERIOUS LIQUIDITY PROBLEM IN SECOND HALF CY 74. THIS IS WHY, TO ELABORATE ON MY OBSERVATION IN OUR CONVERSATION, ADVANCE IN JULY BY EASING OUR CASH-FLOW PROBLEM WOULD HELP US MAINTAIN SERVICES IN CY 74 AND WOULD NOT BE INCONSISTENT WITH WHAT USG MIGHT REGARD AS VALID JUSTIFICATION FOR ACTION.

4. RE LONGER TERM LIQUIDITY PROBLEM, IS THERE NO WAY US BUDGETARY PROCESS CAN BE ADAPTED TO PROVIDE US WITH CONTRIBUTION OR INSTALLMENTS THEREOF ON MORE TIMELY BASIS? IF WE RECEIVE BOTH ADVANCE ON REGULAR CONTRIBUTION AND SPECIAL CONTRIBUTION TO MEET DEFICIT DURING NEXT SIX MONTHS, AND REMAINDER REGULAR CONTRIBUTION IN JANUARY, WE WILL HAVE \$20 MILLION BETWEEN NOW AND DECEMBER, ALL RELATED TO CY 74, FOLLOWED BY \$13.2 MILLION IN JANUARY, OF WHICH \$11.6 RELATED TO CY 75. BUT THEN WE WILL HAVE TO WAIT A FULL YEAR FOR PAYMENT OF FY 76 CONTRIBUTION OF (HOPEFULLY) \$43 MILLION HALF OF WHICH RELATED TO CY 75. WE WOULD THUS BE CONFRONTED WITH MORE SERIOUS LIQUIDITY PROBLEM IN SECOND HALF CY 75 THAN WE WILL FACE THIS YEAR. OUR PRACTICE IS TO ALLOCATE HALF OF US REGULAR CONTRIBUTION TO EACH OF US FY HALVES, WHICH CORRESPOND WITH LEAST HALF ONE UNRWA FY AND FIRST HALF NEXT, BUT WE SHALL NOT KNOW FOR CERTAIN WHAT CONTRIBUTION

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CONTRIBUTION WILL BE OR OBTAIN PAYMENT FOR DISBURSEMENT UNTIL HALF-WAY THROUGH PERIOD FOR WHICH IT IS ALLOCATED. THUS, IN SECOND HALF CY 75, IF NO SPECIAL ACTION IS TAKEN MEANWHILE, WE WILL FACE COMBINED IMPACT MASSIVE DEFICIT AND LACK OF CASH BECAUSE LEVEL US CONTRIBUTION WILL NOT BE KNOWN UNTIL NEAR END CY OR AVAILABLE UNTIL JANUARY 1976.

5. WE HAD HOPED THAT SPECIAL CONTRIBUTION IN FY 75 WOULD BE

LARGE ENOUGH TO GIVE US SUFFICIENT RESERVE TO SEE US THROUGH CY 75 WITHOUT FACING ANOTHER LIQUIDITY CRISIS. AS YOU MAY KNOW, AT SOME TIME IN PAST UNRWA ASKED FOR ONE-TIME US CONTRIBUTION COVERING 18-MONTH PERIOD RATHER THAN SINGLE FY SO THAT COMMITMENTS AND DISBURSEMENTS COULD BE BROUGHT INTO LINE WITH UNRWA FY (CALENDAR YEAR), LIQUIDITY PROBLEM IN SECOND HALF UNRWA FY EASED AND WE COULD PLAN MORE EFFICIENTLY. WE APPRECIATE DIFFICULTY ABOUT SEEKING CONGRESSIONAL APPROVAL FOR MORE THAN ONE-YEAR APPROPRIATION, BUT IS IT NOW POSSIBLE TO INCREASE SPECIAL CONTRIBUTION FOR FY 75 OF \$10 MILLION (PAYABLE IN CY 74) BY \$20 MILLION (NOT ALL OF WHICH NEED BE PAYABLE IN CY 74)? \$20 MILLION WOULD BE NEARLY EQUIVALENT TO HALF OF INCREASED CONTRIBUTION PROPOSED FOR FY 76. WHILE SPECIAL CONTRIBUTION COULD PROPERLY BE JUSTIFIED IN TERMS AGENCY'S BUDGETARY NEEDS, IT WOULD ALSO ALLOW US TO MAINTAIN LIQUIDITY THROUGH CY 1975 PROVIDED WE ACTUALLY RECEIVED FIRST HALF OF FY 76 CONTRIBUTION

NOTE BY OC/T: NOT REPEATED TO SECRETARY'S PARTY.

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INFO OCT-01 NEA-14 ISO-00 IOE-00 SR-02 ORM-03 SCA-01 AID-20

OMB-01 TRSE-00 ABF-01 SS-20 NSC-07 SP-03 SSO-00

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O 141349Z JUN 74

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC IMMEDIATE 8404

C O N F I D E N T I A L SECTION 2 OF 2 BEIRUT 6736

EARLY IN SECOND HALF CY 75. EFFECT WOULD BE TO PROVIDE AVERAGE OF \$39.8 MILLION PER FY OVER THREE-YEAR PERIOD 1974-76. UNRWA WOULD STILL HAVE DEFICIT FOR CY 75 BUT WE WOULD HOPE COVER FROM OTHER CONTRIBUTORS.

6. IN SUMMARY OUR PRESENT POSITION IS AS SHOWN IN FOLLOWING TABLE (FIGURES ARE BUDGET FIGURES, FIGURES BELOW THEM IN PARENTHESES SHOW CASH SHORTFALLS IN MILLIONS OF DOLLARS BY CALENDAR YEAR HALVES.

FOR NON-US CONTRIBUTIONS, CASH AVAILABLE EQUALS BUDGET FIGURE.
CASH SHORTFALLS DERIVED FROM DEFICIT AND US LATE PAYMENTS).

	1974-2	1975-1	1975-2	1976-1
EXPENDITURES	41.0	53.5	53.5	59.0
NON-US CONTRIBUTIONS	19.2	22.9	22.9	22.9
US CONTRIBUTIONS				
REGULAR	11.6	11.6	11.6	11.6
SPECIAL (EXCLUDING CONTR FOR				
VOC TRAIN)	0	0	0	0
DEFICIT	-10.2	-19.0	-19.0	-24.5
	(-21.8)			
	(-7.4)	(-30.6)	(-12.9)	

OBVIOUSLY WE COULD NOT ALLOW DEFICIT TO DEVELOP IN THIS FASHION WITH-
OUT REDUCING SERVICES. CAN USG TAKE ACTIONS REQUIRED TO PUT US IN
FOLLOWING POSITION:

	1974-2	1975-1	1975-2	1976-1
EXPENDITURES	41.0	53.5	53.5	59.0
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NON-US CONTRIBUTIONS	19.2	22.9	22.9	22.9
US CONTRIBUTIONS				
REGULAR	11.6	11.6	21.5	21.5
SPECIAL	10.0	10.0	10.0	0
DEFICIT	-0.2	-9.0	PLS 0.9	-14.6
	(-1.8)	(-7.4)	(PLS0.9)	(-14.6)

TO ACHIEVE POSITION SUMMARIZED IN TABLE IMMEDIATELY ABOVE, USG
WOULD HAVE TO PROVIDE:

(A) EARLIER POSSIBLE DISBURSEMENT IN FIRST HALF FY 75 OF \$10
MILLION OF FY 1975 REGULAR CONTRIBUTION;

(B) SPECIAL CONTRIBUTION OF \$30 MILLION IN FY 75, OF WHICH AT
LEAST \$10 MILLION WOULD HAVE TO BE AVAILABLE FOR ACTUAL DISBURSE-
MENT BY UNRWA IN FIRST HALF FY 75;

(C) EARLY DISBURSEMENT IN FIRST HALF FY 76 OF HALF OF
INCREASED REGULAR FY 76 CONTRIBUTION (PRESUMABLY THIS COULD BE
DONE EVEN UNDER CONTINUING RESOLUTION, SINCE HALF OF FY 76
CONTRIBUTION WOULD BE LESS THAN TOTAL FY 75 CONTRIBUTION).

7. I DO NOT KNOW STATUS OF ACTION ON SPECIAL CONTRIBUTION,
BUT IF NOT ALREADY DECIDED AND PARTICULARLY IF YOU ARE GOING TO
REQUEST SUPPLEMENTAL APPROPRIATION, COULD YOUR RECOMMENDATION
ON LEVEL TAKE INTO ACCOUNT PROBLEMS I HAVE DESCRIBED? IT APPEARS
IN NEXT MONTH OR SO HIGH-LEVEL ATTENTION IN USG WILL BE DIRECTED
TOWARD UNRWA FINANCIAL DIFFICULTIES. IS THIS NOT IDEAL TIME TO
SEEK SPECIAL CONTRIBUTION THAT WILL PROVIDE US WITH MONEY NEEDED
TO CARRY US THROUGH 1975 AS WELL AS 1974? I AM CONVINCED IT WOULD

BE MISTAKE TO CONFINE ATTENTION TO 1974 ONLY AND THAT IF OPPOR-
TUNITY TO LOOK MORE THAN SIX MONTHS AHEAD IS MISSED, IT WILL
BE BITTERLY REGRETTEED LATER. END QUOTE.

3. AM POUCHING ORIGINAL OF MCELHINEY'S TEXT TO YOU SOONEST.
GODLEY

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